



[4830-01-p]

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[REG-135734-14]

RIN 1545-BM45

Rules Regarding Inversions and Related Transactions; Notice of Proposed Rulemaking by Cross-Reference to Temporary Regulations

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice of proposed rulemaking by cross-reference to temporary regulations.

SUMMARY: In the Rules and Regulations section of this issue of the **Federal Register**, the Department of the Treasury (Treasury Department) and the IRS are amending portions of temporary regulations that address certain transactions that are structured to avoid the purposes of section 7874 of the Internal Revenue Code (Code). The temporary regulations affect certain domestic corporations and domestic partnerships whose assets are directly or indirectly acquired by a foreign corporation and certain persons related to such domestic corporations and domestic partnerships. The text of the temporary regulations in the Rules and Regulations section of this issue of the **Federal Register** also serves as the text of these proposed regulations.

DATES: Written or electronic comments and requests for a public hearing must be received by **[INSERT DATE 90 DAYS AFTER PUBLICATION IN THE FEDERAL REGISTER]**.

ADDRESSES: Send submissions to: CC:PA:LPD:PR (REG-135734-14), room 5203, Internal Revenue Service, P.O. Box 7604, Ben Franklin Station, Washington, DC

20224. Submissions may be hand-delivered Monday through Friday between the hours of 8 a.m. and 4 p.m. to CC:PA:LPD:PR (REG-135734-14), Courier's Desk, Internal Revenue Service, 1111 Constitution Avenue NW, Washington, DC 20224, or sent electronically via the Federal eRulemaking Portal at <http://www.regulations.gov> (IRS REG-135734-14).

FOR FURTHER INFORMATION CONTACT: Concerning the proposed regulations, Joshua G. Rabon (202) 317-6937; concerning submissions of comments or requests for a public hearing, Regina Johnson, (202) 317-5177 (not toll-free numbers).

SUPPLEMENTARY INFORMATION:

Background

The temporary regulations in the Rules and Regulations section of this issue of the **Federal Register** amend portions of the regulations under section 7874 of the Code concerning the de minimis exceptions to the general rules of §§1.7874-7T (disregard of certain stock attributable to passive assets) and 1.7874-10T (disregard of certain distributions). The text of those temporary regulations also serves as the text of the proposed regulations herein. The preamble to those temporary regulations, which is also the preamble to certain final regulations under section 7874, explains the temporary regulations, the corresponding proposed regulations, and the final regulations.

Special Analyses

Certain IRS regulations, including these, are exempt from the requirements of Executive Order 12866, as supplemented and reaffirmed by Executive Order 13563. Therefore, a regulatory assessment is not required. Because the regulations do not

impose a collection of information on small entities, the Regulatory Flexibility Act (5 U.S.C. chapter 6) does not apply. Pursuant to section 7805(f), this notice of proposed rulemaking has been submitted to the Chief Counsel of Advocacy of the Small Business Administration for comment on its impact on small business.

Comments and Requests for Public Hearing

Before these proposed regulations are adopted as final regulations, consideration will be given to any comments that are submitted timely to the IRS as prescribed in this preamble under the “Addresses” heading. The Treasury Department and the IRS request comments on all aspects of the proposed rules. All comments will be available at www.regulations.gov or upon request. A public hearing will be scheduled if requested in writing by any person that timely submits electronic or written comments. If a public hearing is scheduled, notice of the date, time, and place for the public hearing will be published in the **Federal Register**.

Drafting Information

The principal author of these proposed regulations is Joshua G. Rabon of the Office of Associate Chief Counsel (International). However, other personnel from the Treasury Department and the IRS participated in their development.

List of Subjects in 26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

Proposed Amendments to the Regulations

Accordingly, 26 CFR part 1 is proposed to be amended as follows:

PART 1--INCOME TAXES

Paragraph 1. The authority citation for part 1 is amended by adding entries to read in part as follows:

Authority: 26 U.S.C. 7805 * * *

Section 1.7874-7 also issued under 26 U.S.C. 7874(c)(6) and 7874(g).

* * * * *

Section 1.7874-10 also issued under 26 U.S.C. 7874(c)(4) and 7874(g).

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Par. 2. Section 1.7874-7 is added to read as follows.

§1.7874-7 Disregard of certain stock attributable to passive assets.

(a) through (c)(1) [Reserved]

(2) [The text of proposed §1.7874-7(c)(2) is the same as the text of §1.7874-7T(c)(2) as revised elsewhere in this issue of the **Federal Register**.]

(d) through (g) [Reserved]

(h) [The text of proposed §1.7874-7(h) is the same as the text of §1.7874-7T(h) as revised elsewhere in this issue of the **Federal Register**.]

Par. 3. Section 1.7874-10 is added to read as follows:

§1.7874-10 Disregard of certain distributions.

(a) through (d)(1) [Reserved]

(2) [The text of proposed §1.7874-10(d)(2) is the same as the text of §1.7874-10T(d)(2) as revised elsewhere in this issue of the **Federal Register**.]

(e) through (h) [Reserved]

(i) [The text of proposed §1.7874-10(i) is the same as the text of §1.7874-10T(i) as revised elsewhere in this issue of the **Federal Register**.]

John Dalrymple

Deputy Commissioner for Services and Enforcement.

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